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SUBJECT: ROK-RUSSIA STRATEGIC DIALOGUE BUILDS ON CLOSER TIES

Classified By: A/DCM Joseph Y. Yun. Reasons 1.4(b/d)

11. (C) Summary: ROK Vice Foreign Minister Kwon Jong-rak and Russian First Deputy Minister of Foreign Affairs Andrei Denisov discussed strengthening bilateral ties at the first ROK-Russia Vice Foreign Minister Strategic Dialogue in Seoul on December 18. Director of MOFAT's Russia and CIS Division Lim Soo-suk gave us a read out on December 22. The two sides discussed

-- prospects for an inter-Korean pipeline to supply Russian natural gas to South Korea;

-- obstacles to linking an inter-Korean railway to the trans-Siberian railway;

-- Korea's request for special port privileges in Russia;

-- Russia's objection to a missile defense system in East Asia;

-- Russia's request for Korea's support for Russia's bid to join ASEM (The Asia-Europe Meeting), the Asian Development Bank (ADB), and the East Asia Summit (EAS);

-- Korea's invitation to President Medvedev or Prime Minister Putin to visit Seoul; and

-- Russia's advice that continued patience and flexibility are required in dealing with North Korea.

The first strategic dialogue builds on President Lee Myoung-bak's September 2008 state visit to Moscow and is a substantive step forward in ROK-Russia relations. End Summary.

12. (C) Vice FM Kwon and Deputy FM Denisov met for two hours of talks on the 18th, followed by a working lunch. Talks continued on the 19th at the Director-General level. As the first Vice Foreign Minister-level talks between the two countries, Lim said, these discussions were important to opening channels of communication and building confidence between the two foreign ministries, which are managing increasingly closer and more complex bilateral relations.

Inter-Korean Pipeline

13. (C) Lim said Russia was pushing ahead with a two-year feasibility study on building a pipeline through North Korea to deliver natural gas to South Korea. The Russians were somewhat optimistic that the DPRK, which could earn some USD 120 million annually from the pipeline, would be cooperative

and asked whether the U.S. would object to the pipeline because of the financial benefits to North Korea. Lim said the ROK had not yet calculated the political feasibility of the pipeline, but the North's recent restrictions on access to the Kaesong Industrial Complex would make the ROK reluctant to depend on the DPRK's cooperation for gas deliveries. The alternative to a pipeline would be the more expensive option of ship deliveries.

14. (U) When President Lee visited Moscow in September, he agreed to a contract for Russia to supply Korea with 7.5 million tons of natural gas annually for thirty years beginning from 2015.

Railway Link

15. (C) Kwon and Denisov discussed the obstacles to proceeding with plans to link an inter-Korean railway to the trans-Siberian railway system. The ROK estimates it would cost USD 230 million to renovate the North Korean rail system to connect ROK and Russia lines. Lim said the ROKG decision that private companies should bear the costs without the benefit of government guarantees makes progress unlikely for the foreseeable future due to the Korean business community's risk assessment of investing in the DPRK.

Exclusive ROK Port Privileges

16. (C) The ROK is eager to obtain special port privileges at Nakhodka, or another port near Vladivostok, but, Lim said, the agreement has been delayed while the Russians study the impact of lost revenue at neighboring ports. Lim said the ROK request is for a dedicated pier with specially trained Russian customs officials to facilitate the speedy flow of goods.

Russia's Opposition to Missile Defense

17. (C) Denisov emphasized Russia's objection to a missile defense system in East Asia, saying it would be a destabilizing development for the region. Lim said Denisov did not mention the U.S. or the possibility of Korea working with the U.S. on missile defense, but, nonetheless, pointedly voiced its opposition to missile defense.

Russia Seeking Club Memberships

18. (C) Russia requested ROK support for Russian membership in three regional organizations: ASEM (The Asia-Europe Meeting), the Asian Development Bank (ADB), and the East Asia Summit (EAS). The ROK supports Russia joining ASEM, will consider its position on Russia joining the ADB, and, due to a moratorium on new members in EAS, is not optimistic of Russia's chances of joining EAS in the near future.

Future Visits

19. (C) Lim said Russia was noncommittal on Korea's invitation to either Russian President Medvedev or Prime Minister Putin to reciprocate President Lee's September 2008 state visit to Moscow. Lim said Prime Minister Putin is planning to visit Tokyo in January or February and Seoul is hopeful he will include Korea on his itinerary. Participants did agree in principle to hold bilateral summit meetings next year on the margins of the G-20 in London in April, the G-8 in Italy in July, and the APEC summit in Singapore in November. They also agreed to a second Vice Foreign Minister-level strategic

dialogue to be held next year.

North Korea and Iran

¶10. (C) Lim said the DPRK and the 6PT were on the agenda but did not get much attention, apart from Russia's advice that continued patience and flexibility are required in dealing with North Korea. Russia also called for more flexibility in dealing with Iran. Lim said Russia's interest was to expand opportunities for dialogue and negotiation and not risk the chance that the U.S. or Israel would have justification for military action against Iran. Denisov, he said, highlighted the value of the EU-3 framework for dealing with Iran but did not make any specific request of Korea.

Comment

¶11. (C) In addition to Russia's relationship to North Korea and its influence on the Korean peninsula, Russia is becoming and increasingly important trade partner for Korea. South Koreans see plenty of opportunity in Russian natural resources. Lim said Korea's trade relationship with China has matured to the degree that Korean businesses are looking for a new "blue water" economic frontier, and think they may have found it in Russia. Lim said the two governments are trying to catch up to the relationship that businesses have already established and that the strategic dialogue was a constructive step forward.
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